

Message Text

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PAGE 01 QUITO 02792 151837Z

12

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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E.O. 11652: N/A

TAGS: ENRG, EC

SUBJECT: FORMER SUBSECRETARY OF NATURAL RESOURCES ATTACKS PROPOSALS
FOR NATIONALIZATION AND CRITICIZES POLICIES OF FORMER
MINISTER OF NATURAL RESOURCES JARRIN

1. DR. MARCELO MERLO, FORMER SUBSECRETARY OF NATURAL RESOURCES
AND NOW LEGAL ADVISER TO THE PICHINCHA CHAMBER OF INDUSTRIES,
IN A SPEECH BEFORE THE CENTER FOR FOREIGN INFORMATION AND
CONTACT (CICE), A PRESTIGIOUS ORGANIZATION THAT SPONSORS FRE-
QUENT MEETINGS ON PUBLIC ISSUES, EMPHASIZED THAT TOTAL NATIONAL-
LIZATION WOULD PARALYZE THE PETROLEUM INDUSTRY. MERLO'S
SPEECH RECEIVED PROMINENT COVERAGE IN LEADING ECUADOREAN DAILIES.

2. MERLO APPEARED ON THE TELEVISION PROGRAM "CONTROVERSIA"
SEVERAL WEEKS AGO AND ESPECIALLY CRITICIZED THE POLICIES OF
FORMER MINISTER OF NATURAL RESOURCES JARRIN THAT RESULTED IN
THE STAGNATION OF EXPLORATION FOR OIL. HE NOTED IN HIS CICE
SPEECH THAT 88 PERCENT OF THE PETROLEUM CONCESSIONS HAD BEEN
RETURNED TO THE GOE WITHIN THE PAST FIVE YEARS, AND THAT

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PAGE 02 QUITO 02792 151837Z

ONLY FOUR FIRMS REMAIN IN THE COUNTRY.

3. MERLO CONTINUED THAT THE COMMUNIST PARTY IN VENEZUELA HAD PROMOTED "A CONCEPT OF NATIONALIZATION THAT WOULD ELIMINATE ALL PRIVATE PARTICIPATION IN THE PETROLEUM INDUSTRY." "IN ECUADOR," HE ADDED, "THE POSSIBILITY OF NATIONALIZATION, IN THE STYLE OF THE COMMUNIST PARTY IN VENEZUELA, COULD PROVOKE THE PARALYZATION OF THE INDUSTRY SINCE THE STATE LACKS THE NECESSARY RESOURCES. . .THE STATE CANNOT GIVE ITSELF THE LUXURY OF TAKING OVER THE IMMENSE JOB OF EXPLORATION WITH ITS HIGH COSTS AND RISKS."

4. MERLO WAS ALSO CRITICAL OF CEPE'S PLANS FOR INDUSTRIALIZATION, SAYING THAT A PETROCHEMICAL COMPLEX WOULD REQUIRE A MINIMUM PRODUCTION RATE OF 300,000 BARRELS PER DAY, AND POINTING OUT THAT CEPE'S DELAY IN CONSTRUCTION OF THE OFFSHORE TERMINAL WILL MEAN A YEAR'S EXTENSION OF THE EXPENSIVE TRADE-OUT ARRANGEMENT FOR ECUADOREAN CRUDE.

5. COMMENT: MERLO HAD A PERSONAL FALLING-OUT WITH JARRIN WHILE SUBSECRETARY OF NATURAL RESOURCES, WHICH IN PART ACCOUNTS FOR HIS ANIMOSITY TOWARD JARRIN. HOWEVER, MERLO'S SPEECH, WELL-SUPPORTED BY FACTS AND FIGURES, WILL BE TAKEN SERIOUSLY BY GOVERNMENT OFFICIALS AND PUBLIC OPINION-MAKERS, AND ADDS MORE SUPPORT TO THE SEGMENT OF PUBLIC OPINION THAT IS OPPOSED TO NATIONALIZATION OR DOUBTFUL ABOUT ITS FEASIBILITY. BUT WELL-REASONED AND FACTUAL ARGUMENTS AGAINST NATIONALIZATION STILL DO NOT SEEM TO BE RESTRAINING THE CLAMOR BY LEFTIST-STUDENT GROUPS AND OTHER IDEOLOGUES IN FAVOR OF "IMMEDIATE NATIONALIZATION WITHOUT COMPENSATION," A SLOGAN THAT IS STILL BEING PUBLISHED IN PAID PRESS ADS AND INCREASINGLY SMEARED ON WALLS THROUGHOUT THE COUNTRY.
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